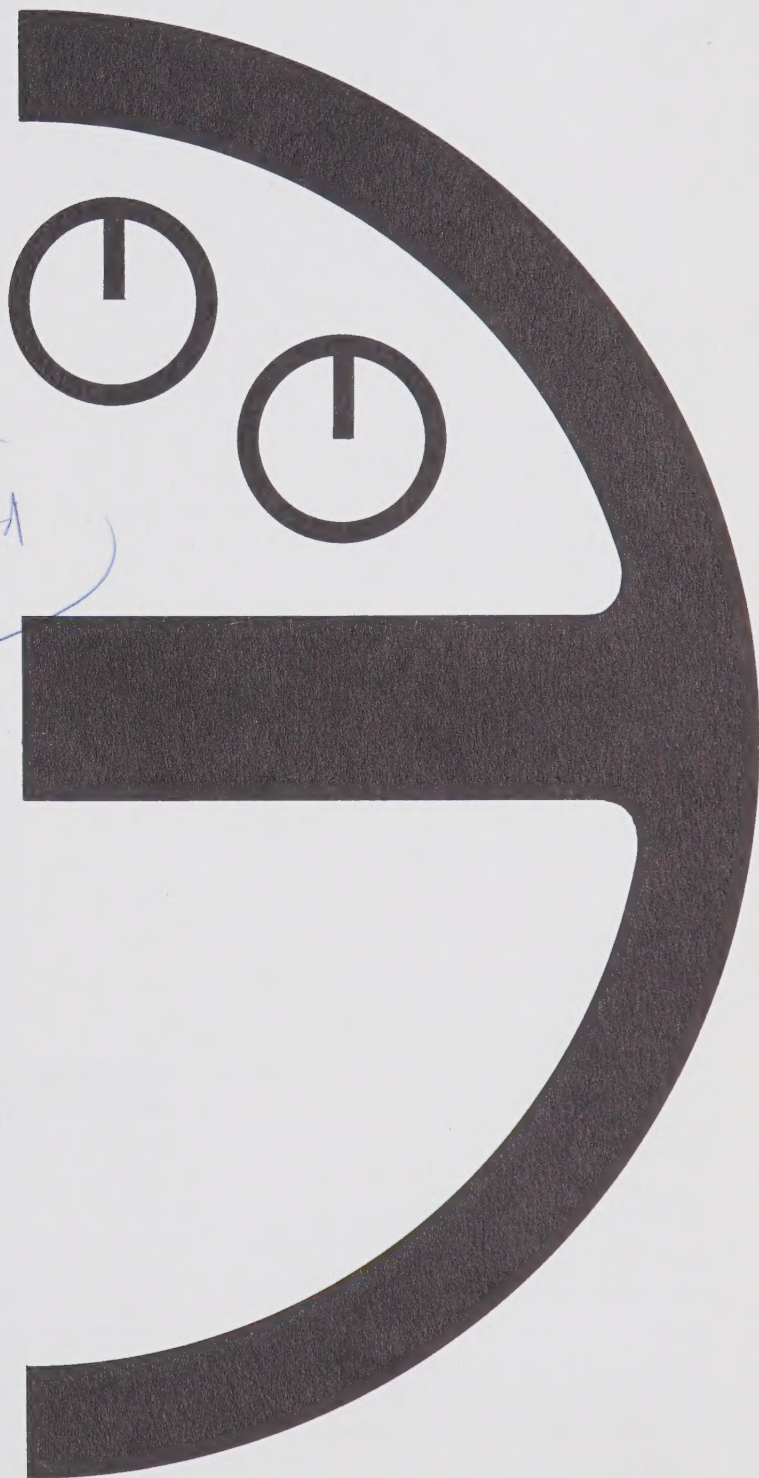


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SANGAMO
ANNUAL REPORT
FOR 1971



DIRECTORS

R.H. DAVIES

President

Sangamo Electric Company

Chairman of the Board

Sangamo Company Limited

HON. G.B. FOSTER, M.B.E., Q.C.

Chairman of the Board

Canada and Dominion Sugar Co. Ltd.

C.H. LANPHIER

Chairman of the Board

Sangamo Electric Company

J.A. McDOUGALD

President and Chairman of the Board

Argus Corporation Limited

J.M. TORY, Q.C.

Partner, Messrs. Tory, Tory, DesLauriers
and Binnington

Solicitors

C.E. VANCIL

Vice-President

Sangamo Electric Company

A.E. VAN CLIEAF

President,

Sangamo Company Limited

OFFICERS

A.E. VAN CLIEAF, *President*

P. GREIG, *Vice-President, Marketing*

J. LOGAN, *Vice President & Secretary-Treasurer*

M.R. SABISTON, *Vice-President, Operations*

J.H. BERRY, *Controller and Assistant Secretary*

SHARES LISTED

The shares of the Company are listed on the Canadian Stock Exchange, Montreal, Quebec. Transfers of shares at the Head Office of the Company, Toronto, and Montreal Branch Office.

ANNUAL MEETING

Annual Meeting of Shareholders is to be held on April 27th, 1972, at the Head Office of the Company 215 Laird Drive, Toronto 352, Ontario, Canada.

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FINANCIAL HIGHLIGHTS

	1971	1970
Net Sales	\$9,506,660	\$11,797,316
Income before Extraordinary Item	626,275	555,149
Income Per Share before Extraordinary Item	3.45	3.06
Net Income	707,864	555,149
Net Income Per Share	3.90	3.06
Expenditure for land, bldgs., machinery and equipment	436,434	233,404
Depreciation	175,779	186,672
Shareholders' equity	4,507,776	4,053,609
Shares outstanding at end of period	181,212	181,212
Book value per share	24.88	22.37
Working Capital	3,916,090	3,789,653
Current ratio	4.7:1	3.7:1

LETTER TO THE SHAREHOLDERS:

Net income before extraordinary item amounted to \$626,275 in 1971, representing \$3.45 per share. After credit for the extraordinary item related to sale of land and building the net income was \$707,864 or \$3.90 per share. Net income for 1970 was \$555,149 representing \$3.06 per share. Sales for 1971 were \$9,506,660 as compared with \$11,797,316 for 1970. Sales in 1970 included \$1,013,000 of motor division products delivered prior to the sale of that division on February 27, 1970. Although sales levels were lower in 1971, earnings increased largely as a result of reduction in product cost, tighter control over operating expenses, and sharply reduced financial costs. In December, the Company sold a warehouse and land in Guelph. After providing for an anticipated reduction below book value on the remaining property and applicable income taxes on the sale, the Company enjoyed an extraordinary income of \$81,589.

The new Type "K" singlephase watthour meter, introduced to the Canadian marketplace in the latter part of 1970, has received excellent acceptance from our customers and contributed substantially to our domestic sales. In April the Company was awarded a new three-year 2.5 million dollar contract for the supply of radiosondes to the Federal Government.

During the year the Company introduced a new singlephase watt-hour meter designed exclusively for export markets. It is anticipated that this product will make an important contribution to sales in 1972. However, the gradual upward movement of the Canadian dollar over the last year and a half, if continued, could pose a threat to volume and profitability of our export business.

A relatively large capital outlay of \$436,000 was made for expansion and cost reduction purposes in 1971. The Trois Rivières plant was increased in size by 50% and equipment was installed for the manufacture of the new export meter as well as to provide for the expected increase in volume of vacuum cleaner motors for the domestic market. Additional equipment was also purchased for the Toronto plant to reduce costs and to ensure the maintenance of high quality standards.

At a Directors' Meeting held on January 27, 1972, the resignation of the Hon. G.B. Foster, M.B.E., Q.C., from the Board of your Company was regretfully accepted. Mr. Foster has been a member of the Board for 35 years and has made a significant contribution to the progress of the Company. We would like to express our sincere appreciation to him for his advice and counsel over these many years. Also at the Directors' Meeting on January 27th, Mr. André Monast, Q.C., was appointed to the Board. Mr. Monast is a senior member of the firm of St-Laurent, Monast, Desmeules & Walters, and is a Director of several companies, including Confederation Life, Canadian Imperial Bank of Commerce, Noranada Mines, and Dominion Stores.

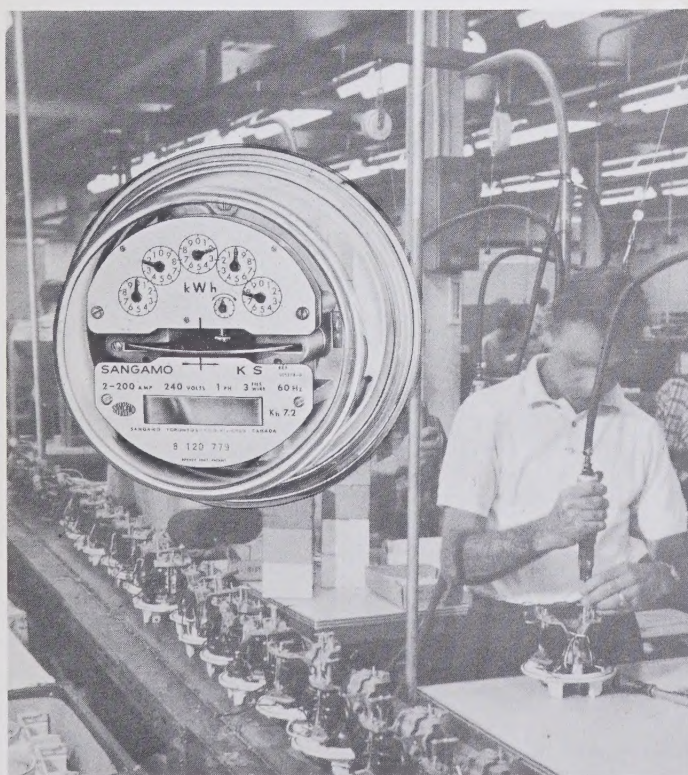
Subject to rezoning the Company entered into an option agreement with Goldist Construction Limited for the sale of the Eglinton/Laird property. If the sale is consummated, the Company has plans to rebuild on property owned in the Township of Scarborough or elsewhere in the province.

The Directors and Officers wish to express their appreciation to all employees for their continued efforts and loyalty throughout the year.

Respectfully submitted.

A.E. VAN CLIEAF, *President*

March 30, 1972.



K Singlephase Watthour, Domestic Meter production, reached record level in 1971.

Balance Sheet DECEMBER 31, 1971 (with comparative figures at December 31, 1970)

ASSETS	1971	1970	LIABILITIES
Current:			Current:
Cash and short-term notes	\$ 955,763		Bank indebtedness
Accounts receivable	1,394,112	\$1,228,436	Accounts payable and accrued charges
Inventories, at the lower of cost and net realizable value —			Estimated income taxes payable
Raw materials, work in process and finished parts	1,778,830	2,087,759	Payable to parent company
Finished goods	611,834	628,299	
	2,390,664	2,716,058	Total current liabilities
Recovery on sale of Motor Division assets		938,600	Funded debt due after one year:
Tender and performance bonds	205,875	217,125	6% Secured Sinking Fund Debentures, Series "A" due December 15, 1982 ...
Prepaid expenses	21,170	70,437	Deferred income taxes
Total current assets	<u>4,967,584</u>	<u>5,170,656</u>	Total liabilities
Land and buildings of Motor Division held for disposal, at estimated realizable value	<u>150,034</u>	<u>413,526</u>	Shareholders' equity:
Fixed (note 1):			Capital —
Land, at cost	231,528	236,662	Authorized:
Buildings, machinery and equipment, at cost 4,988,456			200,000 common shares of no par value
Less accumulated depreciation <u>3,760,018</u>	<u>1,228,438</u>	<u>968,172</u>	Issued:
	<u>1,459,966</u>	<u>1,204,834</u>	181,212 common shares
Other:			Retained earnings
Unamortized debenture discount	55,686	60,784	
	<u>\$6,633,270</u>	<u>\$6,849,800</u>	

(See accompanying notes to financial statements)

On behalf of the Board: **R.H. DAVIES** Director
A.E. VAN CLIEAF Director

	1971	1970
.....		\$ 631,452
.....	\$ 592,015	632,839
.....	431,364	49,940
.....	28,115	66,772
	<u>1,051,494</u>	<u>1,381,003</u>
note 4) .	914,000	1,263,000
.....	<u>160,000</u>	<u>152,188</u>
	<u>2,125,494</u>	<u>2,796,191</u>
.....	505,135	505,135
.....	<u>4,002,641</u>	<u>3,548,474</u>
	<u>4,507,776</u>	<u>4,053,609</u>
	<u>\$6,633,270</u>	<u>\$6,849,800</u>

Statement of Income

YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

	1971	1970
Net sales	\$9,506,660	\$11,797,316
Less:		
Cost of sales excluding depreciation	7,056,578	9,030,668
Selling, general and administrative expenses	1,138,746	1,362,296
Depreciation (note 3)	175,779	186,672
Interest on funded debt	69,587	81,314
	<u>8,440,690</u>	<u>10,660,950</u>
Operating income	1,065,970	1,136,366
Other income (consisting of gain on redemption of debentures and investment income)	67,272	32,783
Income before income taxes & extraordinary item	1,133,242	1,169,149
Income taxes (note 5)	506,967	614,000
Income before extraordinary item	626,275	555,149
Extraordinary item:		
Profit on sale of land and buildings of Motor Division held for disposal, less write-down of carrying value of remaining property (including applicable income tax credit of \$17,060)	81,589	
Net income	<u>\$ 707,864</u>	<u>\$ 555,149</u>
Earnings per share:		
Income before extraordinary item	\$ 3.45	\$ 3.06
Net income	<u>\$ 3.90</u>	<u>\$ 3.06</u>

Statement of Retained Earnings

YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

Retained earnings, beginning of year	\$3,548,474	\$3,174,537
Net income	707,864	555,149
	<u>4,256,338</u>	<u>3,729,686</u>
Dividends paid	253,697	181,212
Retained earnings, end of year	<u>\$4,002,641</u>	<u>\$3,548,474</u>

Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

Source of funds:		
Operations	\$ 832,023	\$1,230,649
Sale of Motor Division		950,000
Proceeds on disposal of land and buildings of Motor Division	333,545	(2,974)
	<u>1,165,568</u>	<u>2,177,675</u>
Application of funds:		
Payment of dividends	253,697	181,212
Additions to fixed assets (net of disposals)	436,434	233,404
Redemption of long-term debt	349,000	137,000
	<u>1,039,131</u>	<u>551,616</u>
Increase in working capital	126,437	1,626,059
Working capital, beginning of year	3,789,653	2,163,594
Working capital, end of year	<u>\$3,916,090</u>	<u>\$3,789,653</u>

(See accompanying notes to financial statements)

Notes to

Financial Statements *December 31, 1971*

1. The Company has accepted an offer to sell the property it owns in Leaside. This offer is conditional upon the property being rezoned for high rise residential apartments and offices and commercial space. The agreement may be terminated by Sangamo in 1973, or earlier if events do not occur as scheduled. The sale, if consummated, will result in a significant gain above book values. It is the Company's intention to establish a new manufacturing plant in Ontario, if this property is sold.

2. An action has been brought against the Company on behalf of the former employees of the Guelph plant for payment of the unfunded pension liability, at the date of termination of the plan, of \$650,000, plus damages of \$250,000, plus costs. In the opinion of counsel the Company should be successful in its defence against this action.

3. Depreciation is calculated using the straight-line method applied to the estimated useful lives of assets, substantially as follows:

4. The provisions of the Trust Deed require the purchase or redemption of \$75,000 annually of the 6% Secured Sinking Fund Debentures. As at December 31, 1971 the Company had delivered to the trustee \$411,000 in debentures in excess of the sinking fund requirements, which are available to be applied against the sinking fund commitments due from 1972 to 1977.

5. Income taxes charged against current years operations include deferred taxes of \$7,812 in 1971 and \$512,188 in 1970.

6. The 1970 statement of income includes the sales and costs of operating the motor division to February 27, 1970 less the operating loss which was recognized in the prior year.

7. The following information is provided as required under section 122.2 of the Canada Corporations Act:

(a) Remuneration paid to 8 directors, as directors, totalled \$6,833 in 1971 and \$4,000 in 1970;

(b) Remuneration paid to 6 officers, as officers, totalled \$132,433 in 1971 and \$127,566 in 1970;

(c) Two officers of the Company are also directors.

Auditors' Report

To the Shareholders of Sangamo Company, Limited:

We have examined the balance sheet of Sangamo Company, Limited as at December 31, 1971 and the related statements of income, retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Sangamo Company, Limited at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young, Clarkson, Gordon & Co.
Chartered Accountants

Toronto, Canada, February 7, 1972.

Asset Type	Estimated service life	Depreciation	
		1971	1970
Buildings	20 and 40 years	\$ 26,925	\$ 29,455
Machinery and equipment:			
General	10 and 15 years	72,217	64,689
Tools and dies	3 years	76,637	92,528
		\$175,779	\$186,672

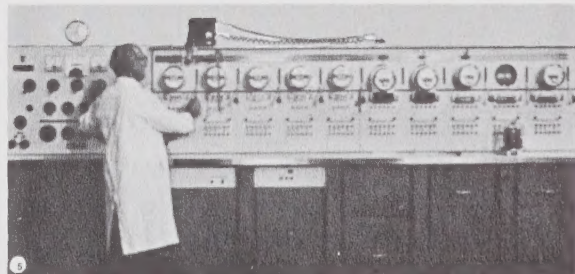
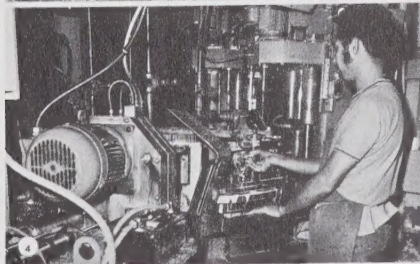
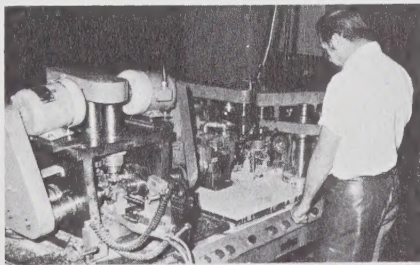
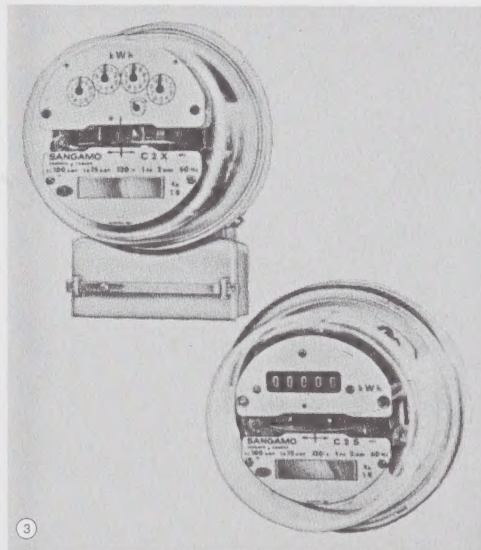
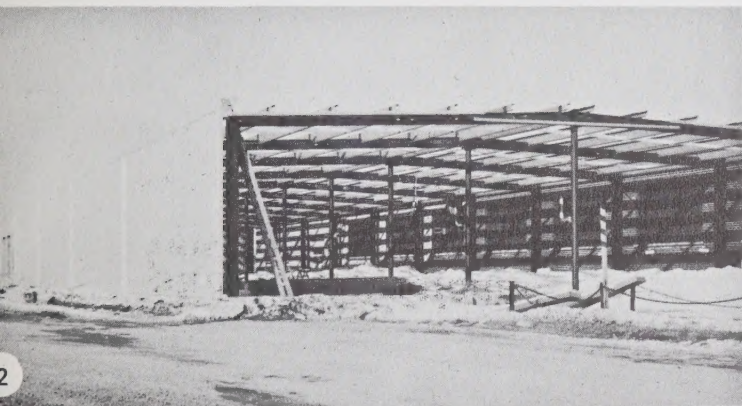
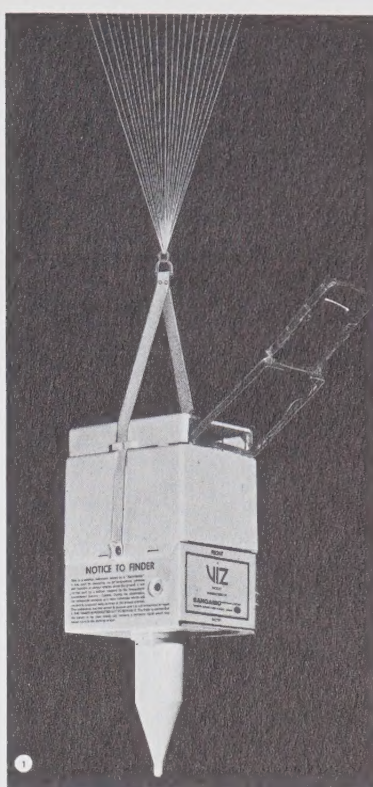
1. Sangamo Radiosonde released by Atmospheric Environment Service — Canada, measures air temperature, pressure and humidity, at various heights from the ground.

2. Trois Rivieres, Quebec, plant expansion for the production of C2 export meters, nears completion.

3. Compact C2X and C2S singlephase watt-hour meters, recently designed for the export market.

4. Automatic machining equipment, one of the major contributors to product cost reduction programme in 1971.

5. Custom built for City of Edmonton, Sangamo's latest 10 meter Test Console, undergoes final check before shipment.



SANGAMO PRINCIPAL PRODUCTS

ELECTRICAL METERING EQUIPMENT

Singlephase Watthour Meters
Polyphase Watthour Meters
Singlephase Demand Energy Meters
Polyphase Demand Energy Meters
Polyphase Demand Meters
Low Voltage Current Transformers
Low Voltage Potential Transformers
Metering Units
Test Consoles

OTHER MANUFACTURED PRODUCTS

Meteorological Radiosondes
Lamb Electric Vacuum Motor Units

PRINCIPAL RESALE PRODUCTS

SANGAMO Amperehour Meters
Electronic Communication Equipment
Tachographs and Time Switches
HD Electric Test Instruments
TESCO Meter Accessories
LAMB ELECTRIC Universal Motors

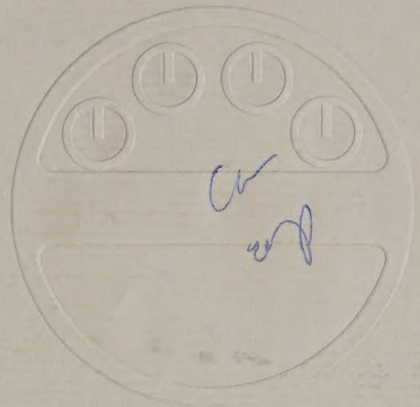
SANGAMO

HEAD OFFICE: 215 LAIRD DRIVE, TORONTO 352, CANADA

Plants: Toronto, Trois Rivières.

Sales Offices: Vancouver, Calgary, Winnipeg, Thunder Bay,
Montreal, Halifax, Saint John, N.B., St. John's Nfld.

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**SANGAMO
QUARTERLY
REPORT TO
SHAREHOLDERS**

FOR THE SIX MONTHS
ENDED JUNE 30, 1971



SANGAMO COMPANY LIMITED
215 LAIRD DR., TORONTO 352, CANADA

TO THE SHAREHOLDERS:

Net income for the first six months of 1971 after provision for taxes, amounted to \$269,000 compared to net income of \$343,000 for the same period last year. Earnings per share for the period were \$1.48 compared to \$1.89 a year ago. The considerable drop in sales of resale products noted in our first quarter report was continued through second quarter while modest sales gains were registered in manufactured products. A new \$2.5 million three year contract for the supply of Radiosondes to the Federal Government was received during the second quarter. The major factors which negatively affected profits in the period compared to last year were the reduction in resale volume, closer profit margins on manufactured products and increased manufacturing expenses at a lower activity level compared to sales. Steps have been taken to control expenses in line with the reduced volumes and lower margins.

A second 20¢ dividend for the year 1971 was paid on June 28th and at a Directors Meeting held on June 23rd a regular 35¢ dividend per share was declared payable on September 24th to shareholders of record September 10th.

Respectfully submitted,

A E - van Cleeve
President.

Comparative Income Summary
(Unaudited)

	Six Months Ended	
	June 30 1971	June 30 1970
		(Note 1)
Net Sales		
—Power Division	\$4,829,000	\$5,330,000
—Motor Division	—	1,013,000
	<u>4,829,000</u>	<u>6,343,000</u>
Net Income before Income Taxes	560,000	717,000
Income Taxes	291,000	374,000
Net Income	<u>\$269,000</u>	<u>\$343,000</u>
Shares outstanding during period	181,212	181,212
Net Income per share . . .	<u>\$1.48</u>	<u>\$1.89</u>

Note 1:

The motor business was sold as of February 27, 1970 and operating losses to that date were provided for in the 1969 annual financial statements.

August 19, 1971.